

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN DONALD L. HEDGES**, on January 22, 2003
at 8:10 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Donald L. Hedges, Chairman (R)
Sen. Royal Johnson, Vice Chairman (R)
Sen. John Esp (R)
Rep. Dave Lewis (R)
Sen. Bea McCarthy (D)

Members Excused: Rep. Rosalie (Rosie) Buzzas (D) arrived at 8:30
Rep. Eve Franklin (D)

Members Absent: None.

Staff Present: Amy Carlson, OBPP
Jim Standaert, Legislative Branch
Diana Williams, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.
Tape counter notations refer to the material
immediately preceding.

Committee Business Summary:

Hearing & Date Posted: OPI - Local Activities

Executive Action: None

Hearing on Office of Public Instruction (OPI)
Local Education Activities

CHAIRMAN HEDGES called the meeting to order.

Jim Standaert, Legislative Fiscal Division, distributed and discussed the handouts for the Office of Public Instruction (OPI). He started out on Page E-15 from the Legislative Budget Analysis 2005 Biennium (Exhibit 1). He said that he would go over the second handout tomorrow (Exhibit 2). **Mr. Standaert** then referred to the colored sheets which is the bridge document that ties the new base to the executive budget and is Exhibit 3. He addressed the distribution-side of OPI.

Mr. Standaert explained that FY02 base expenditures include distribution to schools as well as HB124 payments that go through OPI (Block Grants). The Guarantee Account was created starting FY03 so they adjusted by pulling that amount out of FY02 expenditures, creating an adjusted base of over \$510 million. The legislature removed \$32 million at beginning of session and established fiscal 2000 as base for the distribution of schools. He continued explaining Exhibit 3.

EXHIBIT(jeh13a01)

EXHIBIT(jeh13a02)

EXHIBIT(jeh13a03)

{Tape: 1; Side: A; Approx. Time Counter: 1.1 - 5.8}

[With OPI's presentation, the questions from Committee Members and Responses are interspersed throughout the different presenter's sections.]

Overview of Agency:

Linda McCulloch, State Superintendent, OPI, gave the agency presentation. She spoke about Program 09, Local Education Activities. Her written testimony and handouts are included as Exhibit 4.

EXHIBIT(jeh13a04)

{Tape: 1; Side: A; Approx. Time Counter: 6.2 - 29}

REP. LEWIS had a question regarding the chart and the number of students in special education in 1989-1990 versus 2000-2002. It was his impression that more children were increasingly being classified as special education. **Supt. McCulloch** referred the question to **Bob Runkel, Administrator, Division of**

Special Education, OPI, said that he had the numbers, but he thought that he didn't have them at the hearing. **Mr. Runkel** said that he would follow-up with that and bring them later.

{Tape: 1; Side: A; Approx. Time Counter: 29 - 33.6}

{Tape: 1; Side: B; Approx. Time Counter: 0.4 - 2.1}

Present Law Adjustments:

Madalyn Quinlan, Chief of Staff, OPI, proceeded with the presentation on the individual requests. She started with present law adjustments for K-12 Base Aid on Page E-17 (Exhibit 1). Page E-20 contains the specifics in greater detail on DP1.

Ms. Quinlan reiterated that funding is driven by enrollment, which is just short of 150,000 students in public school. It is predicted to drop by over 4,800 students in the next two years. That will result in a \$15.1 million savings for declining enrollment to the State. She concluded that State support for retirement needs to be brought up from the 2002 base. The FY03 State costs for retirement GTB have already increased by \$3.24 million and are expected to continue growing in FY04 and FY05 by over \$500,000 each year. The net effect would be a negative present law adjustment of \$6.19 million, resulting in a savings to the State due to the accommodation of declining enrollment and the retirement account.

Kathy Fabiano, Assistant Superintendent, Department of Operations, OPI, explained that the next present law adjustment was DP2, a request to adjust appropriation for transportation aid, described on Page E-21 (Exhibit 1). She explained the requested amount and the payment formula for transportation. The formula is dependent on the size of bus, number and type of riders, and the number of bus miles driven.

SEN. ESP requested clarification as to the formula based on the size of the bus. **Ms. Fabiano** replied that it is based on the bus size, how full it is (half-full or more than half), and the type of students (high school=1.5 points, elementary=1.0 points, or special education students). She stated that the rating is not used to determine a monetary worth value, but to determine how full a bus is.

CHAIRMAN HEDGES asked if it would pay more to drive a small bus that was full, or a large bus that was only half-full. **Ms. Fabiano** replied that the rate of capacity also enters into the equation, but she is not certain on that answer.

SEN. ESP noted that when OPI performs the counts on the bus there are additional kids riding the bus on that day to up the numbers and consequently increase the funding.

Ms. Fabiano clarified that it costs just as much to route a bus with three kids, as it does with 50 kids. She said that the formula isn't simple and doesn't necessarily cost more to run a large bus than a small one. She offered to bring a schedule that shows the rates for the various sizes of busses. She also clarified that only high school students are counted, the elementary students are simply counted by how many live on the route.

{Tape: 1; Side: B; Approx. Time Counter: 2.1 - 11.7}

Bob Runkel continued with present law adjustments on Page E-21 of Exhibit 1, addressing DP3, Special Education State Maintenance of Fiscal Effort.

SEN. McCARTHY wondered what the percent increase for special education enrollment has been for the last 10 years. **Mr. Runkel** said that for the 1991-1992 school year it was 17,560 children. For the 2001-2002 school year, it was 19,262 children. He said he would explain some contributing factors to that growth later in the presentation.

{Tape: 1; Side: B; Approx. Time Counter: 11.7 - 16.5}

SEN. McCARTHY wanted to know the approximate level (age) that special needs children are being identified. She asked if it is possible to identify five- or six-year olds yet. **Bob Runkel** said that they are getting better at identifying children earlier, but there will be a greater effort as a result of President Bush's programs in the near future. He also stated that the numbers of children with autism are greatly increasing.

SEN. McCARTHY asked if Mr. Runkel could locate the communities in the State that have higher increases of autism. **Mr. Runkel** said that the statistics don't break it down by community and type of disability. The total number of children who have been identified has been analyzed, and there are definitely differences in the incident rate of disabilities per area.

CHAIRMAN HEDGES asked if OPI would lose federal funding if the present law adjustment is not approved. **Mr. Runkel** said, "Very probably, yes."

{Tape: 1; Side: B; Approx. Time Counter: 16.5 - 21.4}

CHAIRMAN HEDGES asked if there was a gross analysis done to try and identify "hot spots." He said that some teachers want to move special education students out of the classroom, whereas other teachers would rather keep them in the classroom so that the material is learned at the same time as the other students.

Mr. Runkel responded that they try and follow that closely by monitoring all of the schools in the State to keep it all consistent.

SEN. McCARTHY had a question about the cost of identification and testing on lower grades versus the upper grades. She also asked if there are any successful exits in the system, or any way to track how they are doing after they graduate from school. **Mr. Runkel** answered that the initial identification costs more than a continuing evaluation. He said that exiting data is compiled and there are many success cases.

Kathy Fabiano introduced DP5, the request for School Facility Reimbursement. Page E-21 of Exhibit 1 contains further details.

{Tape: 1; Side: B; Approx. Time Counter: 21.4 - 28}

Ms. Fabiano explained the next request, DP8, School District Audit Filing Fee (Page E-21, Exhibit 1) as well as DP 10, Biennial Appropriations (also Page E-21), and DP 31, Federal Grants - Increase in Current Grants (Page E-22, Exhibit 1). **Ms. Fabiano** stated that these are all federal funds distributed to schools.

SEN. JOHNSON asked about the school-to-work funding in the budget. **Ms. Fabiano** said that the amount on the chart (Page E-22, Exhibit 1) shows the amount available in the base for FY2002, but the money is no longer available. **SEN. JOHNSON** questioned if any of that money has been replaced through the Work Force Development Act. **Ms. Fabiano** deferred the question to Nancy Coopersmith. **Ms. Coopersmith, Assistant Superintendent, Department of Education Services, OPI**, answered that by saying it was negative. OPI is anticipating funds, but hasn't received any as of yet.

{Tape: 2; Side: A; Approx. Time Counter: 0.1 - 4.8}

Kathy Fabiano continued, presenting DP49, Guarantee Account - Statutory Appropriations on Page E-23 of Exhibit 1.

Ms. Fabiano also explained DP 51, School Block Grants Established in HB 124 and HB 18 on Page E-23 of Exhibit 1.

CHAIRMAN HEDGES asked for the inflation rate, to which **Ms. Fabiano** responded that it is 0.76%.

SEN. JOHNSON had a question regarding DP49 and to where those funds would be moved. **Ms. Fabiano** replied that the money would be removed from the General Fund and placed in the guarantee account, which is a part of State Special Revenue fund.

SEN. JOHNSON had further questions regarding the balance of the account. **Jim Standaert**, replied that the Common School Account contains \$400 million and the interest gained is around \$45 million per year (about a 10% return) and also includes school lands rented out for grazing, exploration, timber, etc.

SEN. ESP asked about adjustments regarding how funds are reported. **Madalyn Quinlan** replied that after the Special Session, MACo did a survey of county treasurers and asked that a re-report be done that addresses their 2001 revenue sources. The information that the treasurers reported was different than had been reported to OPI a year ago, so the information is being merged and adjusted to make it accurate.

{Tape: 2; Side: A; Approx. Time Counter: 4.8 - 11.2}

New Proposals:

Nancy Coopersmith presented five new proposals, all from federal funds. The first is Character Education, but isn't listed in the book. They are asking for \$150,000 each year of the biennium to schools. This is from the federal No Child Left Behind Act and provides five pilot school grants to promote character education.

REP. LEWIS stated that the breakdown would be just over \$1 per student in Montana. He asked how that was going to make a difference. **Ms. Coopersmith** responded that there are five pilot sites; each receiving the dollars.

SEN. MCCARTHY asked if there competitive grants concerning who gets the money. **Ms. Coopersmith** replied that the grants were based on large groups of low-achieving students, so competition between each other occurred.

SEN. JOHNSON had a question about the locations of the five pilot programs and if they'd been selected already. **Ms. Coopersmith** said they have already been selected, and are all on or near Indian reservations. **REP. BUZZAS** asked how many schools have been flagged as low-achieving in the State. **Ms. Coopersmith** responded that there are currently 60. A new system is being

used to identify schools and includes testing scores, attendance, and graduation rate, but **Ms. Coopersmith** said that she assumes the number will only increase with the new system.

REP. BUZZAS then asked about income as a factor in determining these low-achieving schools. **Ms. Coopersmith** replied that the new federal Act requires that disaggregate data is gathered and assessed on an individual basis. No longer can the poverty areas in groups be looked at and automatically be taken into consideration. The standard is by individual families according to the census standard for poverty. **REP. BUZZAS** asked again if it is included as a factor, to which **Ms. Coopersmith** responded affirmatively.

CHAIRMAN HEDGES asked for a clarification about request for the character education program stated once as a \$150,000 request and later \$175,000. **Ms. Coopersmith** apologized and clarified that it is \$350,000 over the biennium and \$175,000 each year.

SEN. McCARTHY had a question about proposals regarding the No Child Left Behind Act and how that new program works. **Ms. Coopersmith** referred to Exhibit 8 from January 20, 2003 and the synopsis of the programs. **SEN. McCARTHY** also asked if the character education grant goes to a school, grade level, or a teacher. **Ms. Coopersmith** replied that the grants go to schools.

{Tape: 2; Side: A; Approx. Time Counter: 11.2 - 19.7}

Nancy Coopersmith continued by introducing DP32, Community Service Grant Program on Page E-24. She read part of the law regarding community service and said that the Montana School Board Association and the Board of Crime Control will look at the correlation between voluntary and involuntary community service. She said that there is \$250,000 in each year of the biennium for the program but there are no funds to administer the program; the Safe and Drug-Free Schools and Community grant is used to fund that.

CHAIRMAN HEDGES asked if this money would be better spent in the Youth Court Area than the school system. **Ms. Coopersmith** replied, "possibly so," but the law would require that the money would come to the State. OPI will work with the court system to develop policies, however.

Rick Chiotti, Administrator, Division of Health Enhancement and Safety, OPI, said that this is a new program and no guidelines have been set up. OPI has awarded that money to the District Court system, who will award it out to communities.

CHAIRMAN HEDGES concluded then, that OPI is just a pass-through for the \$250,000 and not taking the lead in developing programs in this area. **Mr. Chiotti** answered, "That is correct." **REP.**

BUZZAS asked if these grants being administered by the Board of Crime Control are from the Safe and Drug-Free Schools money, or if the grants are separate. **Mr. Chiotti** responded that it is a different "pot of money" and is indeed separate.

REP. BUZZAS asked how the money is distributed and if they were competitive grants also. **Mr. Chiotti** answered that it is not competitive and OPI is only allowed to retain 7% to administer the program; 93% must be awarded to local schools.

{Tape: 2; Side: A; Approx. Time Counter: 19.7 - 27.5}

Nancy Coopersmith presented DP39, Reading First - Federal Title 1, Part B, Subpart 1 on Page E-25. This is part of the No Child Left Behind Act to assist with reading programs. **SEN. JOHNSON** asked if any of these grants have been passed out and what kind of locations these are in. **Ms. Coopersmith** said OPI follows strict laws of distribution and have given out the grants under the old program. Application for funds under the new program is underway.

REP. BUZZAS asked if it was an extension of Title 1. **Ms. Coopersmith's** response was that it was a good analogy, and is called Title 1, Part B because it serves the same population.

Ms. Coopersmith continued on to DP41 - REI/Rural Low Income Schools, on Page E-25. This is also part of the No Child Left Behind Act.

{Tape: 2; Side: A; Approx. Time Counter: 27.5 - 30}

Ms. Coopersmith said that 19 school districts qualified and with this proposal, would receive \$458,000 each year of the biennium.

SEN. McCARTHY asked about the distribution of money to the "really rural schools" in Montana who need it. **Ms. Coopersmith** said the purpose of this part of the law is to help schools who do not have staff to write competitive grants and to allow schools who have enough dollars to make a difference to the disadvantaged children.

SEN. JOHNSON concluded that if 19 small schools receive \$458,000, each would get \$35,000 base aid. He said that this particular grant will almost double the aid the schools have had in the past. **Ms. Coopersmith** said the list of schools will be provided.

SEN. McCARTHY pointed out that OPI is identifying schools with need and asked if those were all the same schools, or if these schools would be ineligible for other grants. **Ms. Coopersmith** replied that she can't answer for community service, since the process is just beginning. She said a major qualification for DP41 is that you have a large pocket of low-income, low-achieving students. Other DPs look primarily at "ruralness" and size of the school. She said that further categories prioritize so that not all the same schools would be receiving the same money.

{Tape: 2; Side: B; Approx. Time Counter: 0.1 - 7}

SEN. McCARTHY said that from her perspective, the same schools would remain in every pool. **Ms. Coopersmith** replied that precluding is illegal, but other qualifications can be looked at. **SEN. McCARTHY** asked how much the community has to match the grant money. **Ms. Coopersmith** said she was not aware of any match.

Nancy Coopersmith explained DP43, Title IV 21st Century Community Learning Centers, on Page E-25 Exhibit 1. These programs must be outside school time (before school, after school, or during the summer) and targets areas with poor students and schools needing improvement. **REP. BUZZAS** asked if the \$2.8 million appropriation is up from last year. **Ms. Coopersmith** said that last year the program was administered under the old law, and this year it's a new proposal under the new law.

SEN. JOHNSON asked about the HES organization and their role in the program. **Ms. Coopersmith** said that HES is available to provide extra assistance, should the need arise. **CHAIRMAN HEDGES** reiterated that this money could not be used to supplant regular classroom curriculum. **Ms. Coopersmith** agreed.

{Tape: 2; Side: B; Approx. Time Counter: 7 - 11.9}

K-12 base aid:

Madalyn Quinlan proceeded with proposals that are not in the LFD book, but the State Superintendent requested them (Exhibit 5). She started with three requests for K-12 base aid.

The first is HB73 (LC0274) carried by REP. RASER. She explained that \$15 million is being requested to restore money lost due to declining enrollment and \$35 million in new expenditures, or K-12 base aid.

The next bills both provide strategies to mitigate declining enrollment. One is SB92 (LC283): Three-year averaging of ANB.

And the third bill is HB193 (LC 293): Payment of \$1,000 per certified FTE to each school district.

EXHIBIT (jeh13a05)

{Tape: 2; Side: B; Approx. Time Counter: 12 - 22.6}

CHAIRMAN HEDGES asked if funding is reduced for a student count below the base load figure. **Ms. Quinlan** responded by saying that it was not part of the proposal; costs don't decline if the classroom numbers are less.

SEN. JOHNSON asked for the number of teachers involved and the cost for the biennium. **Ms. Quinlan** replied that 13,042 FTE would be covered (teachers, administrators, specialists, and licensed professionals working in the schools) with \$1,000 appropriated for each FTE.

REP. LEWIS asked if Ms. Quinlan is suggesting this method rather than raising the schedules. **Ms. Quinlan** replied that many are recommending a per-teacher rate instead of going by declining enrollments. She said that options for funding is provided and that the classroom-unit funding does stabilize the system.

{Tape: 2; Side: B; Approx. Time Counter: 22.6 - 30}

Special Education:

Bob Runkel based his presentation on the handout in Exhibit 6. His intent is to familiarize the Committee with the students who are served by special education, what their disability categories are, the way the funds are distributed, and the pattern of expenditures of state, local, and federal funds over the last decade. He followed the order in the Table of Contents.

EXHIBIT (jeh13a06)

SEN. McCARTHY asked about the categories used to identify the child, on Page 4 (Exhibit 6). She asked if that child had a parent who didn't agree to the IEP, does the child get placed in the 525 (Multiple Disabilities) category. **Mr. Runkel** said that by law, parents cannot be forced to use the special education services. The State does not have an appeal process, so are served under the Section 504 plan.

{Tape: 3; Side: A; Approx. Time Counter: 0.4 - 8.2}

Mr. Runkel further explained Exhibit 6.

CHAIRMAN HEDGES asked if the Other Health Impaired category includes Fetal Alcohol Syndrome and fetal drug victims. **Mr. Runkel** said that it does just because of the additional behavioral and development problems that occur with this disease. The child then becomes classified under those specific categories.

REP. BUZZAS asked if ADD was classified under learning disabilities prior to the law change a few years ago. **Mr. Runkel** said it was, if their academic progress was adversely affected. The increase was due to children no longer being identified as learning disabled, but as other health impaired. **REP. BUZZAS** asked if correspondingly, if the figures went down in the learning disabilities area. **Mr. Runkel** said that it did not, but continues to steadily increase due to a general pattern of growth.

CHAIRMAN HEDGES asked if the children in the different categories received different types of testing. **Mr. Runkel** replied that there are two types of tests. One is for individual rating for special education identification; the second is the IOWA test. All students participate unless they are severely disabled and unable to complete it. These children take an alternate test to assess their academic progress.

SEN. MCCARTHY asked if there was a provision for classrooms with a disproportionate number of disabled students so their average score doesn't go down. **Mr. Runkel** said that there was not at this time.

{Tape: 3; Side: A; Approx. Time Counter: 8.2 - 14.5}

Bob Runkel continued his presentation, addressing the issue of autism. **REP. BUZZAS** asked if the rate of autism has also gone up nationwide. **Mr. Runkel** replied that, that was correct, but are unclear as to why this is happening. **REP. BUZZAS** said that she was aware that other disabilities are also being researched taking into consideration the potential, environmental causes. **Mr. Runkel** said that he believes there are many factors for the increase.

Mr. Runkel continued the presentation, starting on Page 6 of Exhibit 6, and went through the rest of the packet.

{Tape: 3; Side: A; Approx. Time Counter: 14.5 - 30}

SEN. MCCARTHY asked if there have been changes in the federal laws. **Mr. Runkel** said there has been a change, with an effort to

keep the special education children in the classroom instead of separating them out.

{Tape: 3; Side: A; Approx. Time Counter: 25.8 - 30}

REP. LEWIS said that over the last 12 years, funding has more than doubled and students have increased also, creating a fundamental change in the way special education is delivered.

Mr. Runkel agreed that, that was true. **SEN. McCARTHY** asked if the No Child Left Behind inclusion is a cost factor. **Mr. Runkel** said he can provide data on the settings that children are served in, showing that the vast majority of those students are served in an inclusive setting.

SEN. JOHNSON asked about federal law for inclusion and how long it has been in place. **Mr. Runkel** said that, due to many court rulings, that definition of the "least restricting environment" has changed. **SEN. JOHNSON** asked about the trend and **Mr. Runkel** said that normalizing special education (including them in a normal classroom setting) is the trend. The decision of whether a child can be included in a classroom and not be too disrupting is made on local area basis.

CHAIRMAN HEDGES stated that special education funds are distributed by enrollment, but asked if those funds are targeted to the right student, and if they are adequate to correct the problem. **Mr. Runkel** said that the children with special needs are being served to the greatest extent possible right now, but with greater funding, there could always be improvement.

SEN. McCARTHY added that the IEP recommendation team needs more professional input to make adequate decisions.

Mr. Runkel finished his presentation on Page 11 of Exhibit 6.

{Tape: 3; Side: B; Approx. Time Counter: 0.2 - 14.3}

Kathy Fabiano informed the Committee of one more piece of legislation, HB103 Sponsored by REP. HAL JACOBSON. This bill is to increase state funding for transportation and to simplify the method to determine a district's state and county payment for transportation.

CHAIRMAN HEDGES asked if this would save or cost the State money. **Ms. Fabiano** responded that it would cost \$1.7 million.

SEN. JOHNSON asked about HB336 which would move money from the Treasure State Endowment to the school system. **Ms. Fabiano**

replied that it was one of the Governor's initiatives and that Amy Carlson, OBPP, would cover that.

SEN. ESP asked for the total amount for State transportation costs. **Ms. Fabiano** replied that \$45.8 million was spent in the 2002 school year. She stated that 22.5% was spent by the State and county each, and 55% of that was local.

{Tape: 3; Side: B; Approx. Time Counter: 14.3 - 18.1}

Amy Carlson, OBPP, referred to Page E-9 of Exhibit 7, NP8210 (LC1487), Governor's Advisory Council recommendations on averaging ANB. She said that this DP is tied to the Treasure State Endowment (TSEP) bill. She explained that this is not only to deal with declining enrollments, but goes both directions to also cover increasing enrollments.

EXHIBIT(jeh13a07)

CHAIRMAN HEDGES asked if REP. BROWN's bill did more or less than REP. ROSE's bill from the 1999 session that had a limit on the 5% decline for a year. **Ms. Carlson** said that this was in addition to what was done previously.

SEN. JOHNSON asked if HB336 was a part of this bill. **Ms. Carlson** explained that this bill will reverse the decrease of the Coal Tax from 75% to 50%, raising that back up to the 75% rate.

REP. BUZZAS wanted to know the name of the current account that the money is coming out of. **Ms. Carlson** said that it was called a guaranteed tax-based aid program for debt service for schools.

REP. LEWIS summarized that the money is taken out of the TSEP to pay for the facilities money for the school which in turn, frees up the money to pay for the averaging of the loan. **Ms. Carlson** agreed that it was creative financing; it was the best solution possible to keep all things balanced.

REP. BUZZAS reiterated that the TSEP was flowing in at a higher rate and was scheduled to be reduced from 75% to 50% of the coal tax.

{Tape: 3; Side: B; Approx. Time Counter: 18.1 - 30}

Ms. Carlson agreed. She said that there are two separate flows of money. One is the coal tax itself; 50% of the coal tax flows into the coal tax trust fund. Of that 50%, 75% goes into the TSEP trust. The interest of the TSEP subfund account is spent in schools.

SEN. JOHNSON said that when money is added from one fund and taken from another, someone loses. The somebody in this case is local governments to use for structural improvements. **Ms.**

Carlson said that was true. **SEN. McCARTHY** said that the people who have been waiting in line for the TSEP funding and have gone through the long-range building program are getting bumped from the list. **Ms. Carlson** agreed, saying that in the long run the hope is to replace the money.

REP. BUZZAS asked for the terminology. **Ms. Carlson** said the official name was the school facilities payment for debt service. It's a guaranteed tax-based type payment.

REP. LEWIS reminded the Committee there was a bill to add NRIS as an allowable use of TSEP. **SEN. McCARTHY** said that she had someone from NRIS tell her that may not be a proper use of the funding.

Amy Carlson moved on to DP8220 (LC1317) Advisory Council: Transportation and some HB124, Page E-9 of Exhibit 7.

SEN. ESP asked if the block grant payments went to OPI. **Ms. Carlson** clarified that those payments went through OPI to the local school districts.

{Tape: 4; Side: A; Approx. Time Counter: 0.4 - 7.4}

SEN. JOHNSON had a question that dealt with bonds issued that were not included in 1993 but now have to be included. **Ms. Carlson** replied that in 1993 the money wasn't going to be spent all at once; it was going to be phased in the program. **REP. BUZZAS** asked if there is a net impact to school districts with the refinancing. **Ms. Carlson** replied that there would be a net zero (0) impact to the state general fund overall. There could be a change (increase or decrease) in any individual district however.

Ms. Carlson explained NP8230 (HB107), Teacher Loan Repayment Program, Page E-10 Exhibit 7. She said that this is the same program brought forth two years ago and was almost passed. She then discussed NP8250 (HB113), Reallocate Timber Revenue to Base Aid, Page E-10 Exhibit 7. Next, **Ms. Carlson** went over NP8270 (LC1323), Retirement Fund Accounting Changes, Page E-10, Exhibit 7. She also referred to the handout, Exhibit 8, to show the sources of expenditures and revenues. **Ms. Carlson** said that the bottom line is, when the other funds are taken away from being able to charge the district retirement fund, it frees up both local, county-wide levy taxes and State General Fund.

The final package **Ms. Carlson** addressed was NP8280, School Entitlement increases and a reduction in the DSA percentage, Page E-11.

EXHIBIT(jeh13a08)

{Tape: 4; Side: A; Approx. Time Counter: 7.4 - 16.5}

REP. LEWIS said that the end result will be a reduction in district school salaries who are paid from General Fund.

Ms. Carlson explained that it is expected that districts will move as many employees as possible to the district general fund, allowing them to continue funding retirement from the district retirement fund. For the remaining amounts of employees, the school districts should be able to cover the cost increases without reducing staff, with the increased federal funds that have been received as well as additional general funds received.

REP. LEWIS stated that the shift in funding will result in a shift in resources as well. **Ms. Carlson** agreed that it could, but reminded the Committee that personnel can be moved from one fund to the other and an increase in funds is occurring to help cover that cost.

Ms. Carlson referred to an e-mail in Exhibit 8 between OBPP and the US Department of Education. The e-mail addresses the concern with the proposal that there be a supplement supplant issue, but the Department of Education said they do not consider this an issue and should not cause a problem. She referred to Table E-2 in Exhibit 8 that summarizes entitlements, enrollments, and state aid.

The final three pages contain DPs that are not in Section E and the Committee will not have to either approve or disapprove. The Department of Health and Human Services wrote the paper regarding the refinancing of Medicaid (DPHHS budget proposals 55, 65, 339) and Addictive and Mental Disorders programs.

REP. BUZZAS asked about the tracking procedures and wondered if the school districts would have to apply per-child to DPHHS. **Ms. Carlson** said they will work directly with DPHHS for those funds; they will not go through OPI.

SEN. JOHNSON asked what would happen if there were not federal funds available. **Ms. Carlson** said that there isn't a backup proposal; they are just hoping to be able to offer this to schools.

REP. BUZZAS commented this as a "fix" for DPHHS and the ability to leverage Medicaid dollars instead of keeping the programs intact. The programs cannot function on the district level without those federal funds. **Bob Runkel** said that there is actually a hope for increase in revenue and will be a benefit to DPHHS as this department wouldn't have to provide a state match. This would result in a savings of about \$300,000.

{Tape: 4; Side: A; Approx. Time Counter: 16.5 - 30}

Bob Runkel continued by saying that if this program is successful it will do three things: 1) reinstate availability of comprehensive school and community treatment; 2) expand certain elements of services currently provided that could be reimbursed through Medicaid; and 3) other proposals, which are a little more questionable.

Amy Carlson concluded her portion of explaining the Governor's budget.

Proponents' Testimony:

Carol Lode, proponent of special education bill, and mother of a child with disability, shared the success story of her daughter, Sierra, who is now attending the Helena College of Technology and attained a 4.0 average last semester. Her daughter's success is a direct result of her special education program.

Sarah Eyer, parent of a child with disabilities, and current chairperson of the Special Education Advisory Panel, told her experiences with her son Mick and his challenges with being deaf. She said that due to the help they received from the special education program, her son was exited from special education when he was a sophomore in high school. He is now at California State and doing well. She distributed a copy of his school transcripts and a picture of him with his girlfriend.

EXHIBIT (jeh13a09)

{Tape: 4; Side: B; Approx. Time Counter: 0.1 - 11.8}

Darrel Rudd, Executive Director of the School Administrators of Montana, spoke on behalf of the Professional Educators and the Educational Committee in Montana. He said that there is a disease going around, he termed "nosnegia" -- a combination of nostalgia and amnesia. Many people think the education they received when they were young is still sufficient today, but he argued that it's not. He urged the Committee to invest

adequately in the future and consequently, the education of the children.

Kris Goss, Executive Assistant, Governor's Office, spoke in support of the executive's proposals for K-12 public education. He explained the deliberations the Governor's Office went through to come up with it, and its importance. He asked that they keep it as whole as possible.

Steve Meloy, Executive Secretary, Board of Public Education, supports the budget that was proposed today. The Decision Packages have been brought to the Board to be worked through and coincide with the Board's five-year strategic plan. They are also a product of the Funding Advisory Council.

Erik Burk, MEA/MFT, supports OPI's budget, especially the special education and transportation proposals. He said that this agency does have deep concerns about the Governor's proposals of funding transfers and switches, which can be discussed at a later time.

Bob Vogel, Montana School Boards' Association, stood in support of OPI budget and special education funding and Medicaid funding for schools. The Association does have concerns about the federal funds and the retirement fund, which they hope to have further time to address later.

Questions from Committee Members and Responses with Proponents' Testimony:

CHAIRMAN HEDGES asked Mr. Vogel about the proposed budget of giving money to a district based on teaching staff versus student. He asked how this coincides with equal education and equal opportunity. **Mr. Vogel** said nothing would be more equality based than on certified FTE because every district has a number of certified staff.

CHAIRMAN HEDGES then asked if there was a way to fund the classroom, bypassing the overhead of administration. **Mr. Vogel** said that it is a complex problem but that all school funding need to flow through administration to ensure the funds reach the classroom and serve the interest of all students.

REP. BUZZAS had a question regarding DP827 (LC1323) and wanted to know who was carrying that legislation. **Amy Carlson** replied that SEN. GRIMES was carrying the bill.

{Tape: 4; Side: B; Approx. Time Counter: 11.8 - 23}

ADJOURNMENT

Adjournment: 12:05 A.M.

REP. DONALD L. HEDGES, Chairman

DIANA WILLIAMS, Secretary

DH/DW

EXHIBIT (jeh13aad)